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TARIFF LEGISLATION—DISCUSSION

E. V. ROBINSON: Mr. Emery did not write a paper nor did I see Professor Willis's until late last night. In these circumstances, there was no opportunity to prepare a written discussion.

In the first place, it is obvious that the use of scientific investigation as a basis for tariff legislation depends on the commercial policy adopted. In case a tariff is levied for revenue only, as in England, there is no occasion for investigation, scientific or otherwise. It suffices merely to select for taxation a small number of articles of general use which are not produced at home; or, if any portion of the supply is of domestic origin, to place upon such goods an excise tax equivalent in amount to the import tax paid by foreign goods. According to this plan the tariff rates will be governed primarily by the need for revenue and will fluctuate with such need, with only such restrictions as may be suggested by the varying elasticities of demand of the goods and the probable social reactions of the taxes. Moreover, since tariff duties levied in this manner cannot artificially direct or divert the normal flow of the replacement fund, it is possible to alter revenue duties frequently as a means of balancing the national budget without creating any disturbance in business.

The expression "tariff for revenue," as here used, of course indicates something altogether different from the policy advocated by the Democratic party. That policy is merely to reduce somewhat the tariff rates, and possibly to add a few more articles to the free list. It therefore amounts merely to a change in rates, not a change in policy. The Wilson Tariff Act lacked little of being as highly protective as the act it displaced, and there is no reason to doubt that a similar result would follow if the Democrats should again secure control of the government. To use the expression "tariff for revenue only" in connection with such a policy is simply an abuse of the English language.

The tariff commission policy therefore assumes the continuance of a protective tariff, and on this account is objected to by some who favor entire freedom of commerce. On the other hand, it seems fair to assume, in view of the entire absence of any party favorable to a tariff for revenue only, that for many years to come the United States will have some sort of a protective tariff. The question at issue is therefore reduced to this: whether a tariff

commission would be of value in connection with a protective policy. As a first step toward answering this question, it may be well to glance briefly at the origin of the present tariff commission movement.

The causes of this movement were chiefly two—the growth of monopoly and the adoption of a maximum and minimum tariff.

It used to be assumed that the exact amount of a tariff rate was not important, provided only it was large enough to exclude foreign competition, because it was supposed that domestic competition would soon reduce prices to the foreign level. On this basis, it obviously did not matter what the relative costs of production might be. After 1898, however, the growth of monopolies rendered these old assumptions clearly untenable and put the party of high protection on the defensive. In the Republican platform of 1904 it was therefore argued that the tariff should at least be high enough to offset the extra cost of production in this country. In 1908 the Republican platform declared that the tariff should be high enough to offset the extra cost of production in this country, with a reasonable profit to American industry. It will be noted that the expression “reasonable profit” constitutes an elastic clause which might be made to cover almost anything. Who is to determine what constitutes a reasonable profit? The President, however, insisted that, inasmuch as the party had now defined its tariff policy in terms of comparative costs of production, there must be an expert body provided to ascertain these comparative costs.

The second cause which tended to the establishment of a tariff commission was the enactment in 1909 of a maximum and minimum tariff. Under the terms of this Act, it became the duty of the President to ascertain whether foreign nations were discriminating against the United States, and if not, to issue proclamations conceding the minimum tariff rates. The duty thus imposed was important and obviously demanded expert knowledge for its intelligent discharge. For this reason permission was grudgingly given by Congress for the President to employ “such persons” as he might think best to advise him on tariff matters. On the slender basis of this legislative enactment, the President proceeded to establish the present Tariff Board.

In view of Professor Willis’s extended discussion of the Republican cost-of-production doctrine as a basis for tariff making, it

would be superfluous to dwell at length upon the obvious defects of that plan. It may, however, be worth while to point out the underlying assumption that everything shall be produced in this country, no matter at what cost. Senator Aldrich declared, in open debate, that he would vote for a tariff of 300 per cent as cheerfully as a tariff of 30 per cent; and on the theory that the tariff should always be made equal to the difference between the cost of production here and abroad, there is no reason why a man should not vote for a tariff of 3000 per cent or 30,000 per cent quite as cheerfully as one of 300 per cent. Moreover, since all international commerce whatsoever is based upon difference in comparative costs, according to the familiar doctrine elaborated by Cairnes and others, a tariff equal to the difference in costs of production, if such a tariff could be constructed, would necessarily prohibit every sort of foreign commerce. The declaration of the Republican platform of 1908, therefore, if enacted into law, would reestablish the policy of non-intercourse which existed in feudal Japan before the mission of Commodore Perry. Incidentally, it would mean an immense increase in the cost of living and a corresponding lowering of the standard of living of the people as a whole.

It is, however, easily possible to condemn the purpose avowed in the Republican platform and yet warmly approve the results which would probably follow the establishment of a permanent tariff commission of experts with adequate powers and financial resources.

In the first place, such a tariff commission could revise the classification by schedules so as to correspond to present facts of industry. This would be a service hardly less important than the revision of the tariff rates themselves.

Secondly, the tariff commission could (to use the expression of the President) "translate the tariff into English," by which I mean especially that it could show the equivalence between specific duties and ad valorem duties. It is a notorious fact that "jokers" are usually concealed in tariff acts by juggling with combinations of specific and ad valorem rates in such a manner that no one can discover the actual tariff rate. A table of equivalents would therefore expose existing "jokers" and make others in the future more difficult.

In the third place, without at all denying the difficulties in the

way of ascertaining actual costs, I am convinced that it is possible to ascertain, accurately enough for practical purposes, the cost of production in plants of different types in this country and abroad. If such information could be made a matter of public knowledge, and it should be found that in certain important industries the costs are actually less in this country than elsewhere, or that the difference between the costs here and abroad is materially less than the present tariff rates, then the movement for a reduction of the tariff, or its entire abolition on such commodities, would be immensely strengthened. Again, if it could be shown that the difference in the cost of production here and abroad is excessively great, the question would necessarily force itself upon public attention, whether the country as a whole should be taxed for the continued support of a parasitic industry which offers no promise of ever becoming self-supporting. In these ways the work of the tariff board would naturally tend to the reduction of tariff rates. It is presumably for fear of some such result as this that the great protected industries and their representatives in Congress have been so tireless in opposing the establishment of a permanent tariff commission.

Fourth, the existence of definite information regarding costs of production would tend to check the vice of log-rolling in the enactment of tariff legislation. Many a man is driven to form combinations and sell his vote for various tariff "grafts" because of unfounded fear that some industry in his own district will be jeopardized. If he knew that such industry had nothing to fear even from free trade in its product, he could not so readily be whipped into line to vote for a mass of iniquity in order to protect his own district.

Fifth, the tariff commission could present statistics comparing prices as well as comparing costs. By so doing it could indicate in general the extent of the tribute paid to protected interests by the public. The publication of such data, in clear and understandable form, would tend to raise the question as to what constitutes a "reasonable profit," and as to how far the trusts have acquired a vested right in the continued exploitation of the public through monopoly prices made possible by prohibitive tariff rates.

In general, therefore, I am disposed to believe that the tariff commission would be a most important agency in the education of the public concerning economic matters. It is now one hundred

and thirty-five years since the publication of the "Wealth of Nations," and it is probably well within the truth to say that not one person in a thousand in the United States today is appreciably influenced in his thinking or voting by the doctrines of Adam Smith and his successors regarding the nature of commerce or the advantages of freedom of commerce. The people as a whole are filled with the same kind of mercantile fallacies which meet us in the writings of the sixteenth and seventeenth centuries, and students enter our classes with a mass of this sort of misinformation that in many cases survives our best efforts to eradicate it. If reliance must continue to be placed on the abstract teachings of economic science, then I mistrust that the day is far distant when the people will cease to believe that waste makes wealth. If, however, a body of facts, concrete, understandable, and free from all industrial, class, or party bias, could be placed before the public, I believe that such facts would command confidence, would compel thought, and would lead to the eventual education of the public concerning economic problems.

Moreover, is it not possible that the investigations of an expert tariff commission might contribute something to the education of economists? Already the report of the Tariff Board on the pulp industry has shown an unsuspected variation in the efficiency of different plants, and may lead to new light being thrown on the relation of maximum and minimum costs of production, that is, on the relation of the marginal theory to the concrete facts of production. Continued investigations of this sort ought certainly to show to what extent the laws of constant, increasing, and decreasing expense hold good in practice. In this and many other respects I venture to believe that a tariff commission might in the long run contribute not a little to the verification or revision of the science of economics.